

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7753**

**BILL NUMBER:** HB 2090

**DATE PREPARED:** Jan 19, 1999

**BILL AMENDED:**

**SUBJECT:** Eligibility for Children's Health Insurance Program.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides that a child who is less than 19 years of age and who is a member of a family with an income that is less than 150% of the federal income poverty level (FPL) qualifies for Medicaid. (This provision makes permanent the Medicaid expansion that became effective July 1, 1998, and is set to expire June 30, 1999.)

The bill also adds a provision that a child may enroll in the Children's Health Insurance Program (CHIP) if the child is a member of a family with an income that is between 150% and 200% of FPL.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** The total costs of the Medicaid expansion and the CHIP program relative to the available federal funding are summarized in the final table, below.

The enrollment and cost estimates were developed by the Lewin Group for the Governor's Children's Health Insurance Advisory Panel. The Lewin Group produced three sets of estimates based on the assumptions in the following table.

### Assumptions Used in Development of Three Cost Scenarios.

| Low Enrollment and Cost Estimates  | Mid-Range Enrollment and Cost Estimates   | High Enrollment and Cost Estimates            |
|--|---|---|
| Low Crowd-out *  | Mid-range Crowd-out *                     | High Crowd-out *                              |
| Outreach has no impact   | Outreach has no impact                    | Outreach increases enrollment by 15%          |
| Current unemployment rates continue  | Current unemployment rates continue       | Unemployment rates increase from 3.4% to 6.8% |
| High family premium contributions are used   | Low family premium contributions are used | Low family premium contributions are used     |
| * Crowd-out means the number of families or employers who drop private insurance coverage to take advantage of the public insurance program. |   |   |

*Costs of Medicaid Expansion:* This bill makes permanent the Medicaid expansion for children from families with incomes up to 150% of FPL. This expansion was set to expire June 30, 1999. (On June 30, 1999, the eligibility levels will revert to 150% of FPL for infants, 133% of FPL for children aged 1 through 5, and 100% of FPL for children aged 6 through 18.) The cost estimates below are for the cost of benefits and administration net of estimated family premium contributions. The estimates also include a 24-month “ramp-up” period to fully phase in the program.

### Estimated Net Costs for Permanent Medicaid Expansion to 150% FPL (with State and Federal Shares).

| Assumptions   | FFY1999           | FFY2000           | FFY2001           | FFY2002           |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Low-Range</b>  | \$27.79 M         | \$45.98 M         | \$50.66 M         | \$52.44 M         |
| (State \$/Fed \$)   | (7.50M / 20.29M)  | (12.41M / 33.57M) | (13.68M / 36.98M) | (14.16M / 38.28M) |
| <b>Mid-Range</b>  | \$35.25 M         | \$58.32 M         | \$64.25 M         | \$66.50 M         |
| (State \$/Fed \$)   | (9.52M / 25.73M)  | (15.75M / 42.57M) | (17.35M / 46.90M) | (17.96M / 48.54M) |
| <b>High-Range</b>   | \$56.44 M         | \$93.38 M         | \$102.89 M        | \$106.49 M        |
| (State \$/Fed \$)   | (15.24M / 41.20M) | (25.21M / 68.17M) | (27.78M / 75.11M) | (28.75M/77.74M)   |
| Source: The Lewin Group for the Governor’s Children’s Health Insurance Advisory Panel, Nov. 1998. |                   |                   |                   |                   |

*Costs of CHIP Program:* The following represents cost estimates based on the three sets of enrollment and cost assumptions for the CHIP program specified by the Children’s Health Insurance Advisory Panel. Coverage is for those children from families with incomes between 150% and 200% of FPL. Although the bill is not specific about the benefit package to be offered, the benefit package described by the CHIP Advisory Panel is used for estimating costs. The cost estimates include direct services, as well as administrative costs. Eligibility and participation requirements may be adjusted based on available program resources.

**Estimated Net Costs for CHIP: Children between 150% and 200% FPL (with State and Federal Shares).**

| <b>Assumptions</b>  | <b>FFY1999</b>  | <b>FFY2000</b>   | <b>FFY2001</b>    | <b>FFY2002</b>    |
|---|-----------------|------------------|-------------------|-------------------|
| <b>Low-Range</b>  | \$ .88 M        | \$12.97 M        | \$21.97 M         | \$24.79 M         |
| (State \$/Fed \$)   | (0.24M / 0.64M) | (3.50M / 9.47M)  | (5.93M / 16.04M)  | (6.69M / 18.10M)  |
| <b>Mid-Range</b>  | \$1.67 M        | \$24.68 M        | \$41.83 M         | \$47.20 M         |
| (State \$/Fed \$)   | (0.45M / 1.22M) | (6.66M / 18.02M) | (11.29M / 30.54M) | (12.74M / 34.46M) |
| <b>High-Range</b>   | \$2.04 M        | \$30.11 M        | \$51.02 M         | \$57.57 M         |
| (State \$/Fed \$)   | (0.55M / 1.49M) | (8.13M / 21.98M) | (13.78M / 37.24M) | (15.54M / 42.03M) |
| Source: The Lewin Group for the Governor's Children's Health Insurance Advisory Panel, Nov. 1998. |                 |                  |                   |                   |

*Federal CHIP Funding:* The CHIP program was authorized by Congress in 1997. Unused allotments may be rolled over to the next year. Each year's allotment remains available for three years, after which the unused allotment is returned for redistribution to other states. The CHIP program funding also comes with an enhanced federal match of about 73%, compared with the current federal match under the Medicaid program of about 61%. The reimbursement for expenditures under the CHIP program, as well as the Medicaid expansion described above, will be made at the enhanced rate of 73%.

**Estimated Net Program Costs Relative to CHIP Funding: FFY1999 Through FFY2002.**

| <b>Assumptions</b>  |                                | <b>FFY1999</b> | <b>FFY2000</b> | <b>FFY2001</b> | <b>FFY2002</b> |
|---|--------------------------------|----------------|----------------|----------------|----------------|
| <b>Low-Range</b>  | <b>Carryover from Prev. Yr</b> | 95.16 M *      | 163.58 M       | 194.18 M       | 199.50 M       |
|   | <b>Current Year Allotment</b>  | 97.09 M        | 97.09 M        | 102.41 M       | 78.47 M        |
|   | <b>Total Program Costs **</b>  | 28.67 M        | 58.95 M        | 72.63 M        | 77.23 M        |
|   | <b>Returned to Feds</b>        | -              | 7.54 M         | 24.45 M        | 19.86 M        |
|   | <b>Surplus / (Deficit)</b>     | 163.58 M       | 194.18 M       | 199.50 M       | 180.88 M       |
|   |                                |                |                |                |                |
| <b>Mid-Range</b>  | <b>Carryover from Prev. Yr</b> | 94.64 M *      | 154.81 M       | 168.90 M       | 165.22 M       |
|   | <b>Current Year Allotment</b>  | 97.09 M        | 97.09 M        | 102.41 M       | 78.47 M        |
|   | <b>Total Program Costs **</b>  | 36.92 M        | 83.00 M        | 106.08 M       | 113.70 M       |
|   | <b>Returned to Feds</b>        | -              | -              | -              | -              |
|   | <b>Surplus / (Deficit)</b>     | 154.81 M       | 168.90 M       | 165.22 M       | 129.99 M       |
|   |                                |                |                |                |                |
| <b>High-Range</b>   | <b>Carryover from Prev. Yr</b> | 93.17 M *      | 131.78 M       | 105.38 M       | 53.88 M        |
|   | <b>Current Year Allotment</b>  | 97.09 M        | 97.09 M        | 102.41 M       | 78.47 M        |
|   | <b>Total Program Costs **</b>  | 58.48 M        | 123.49 M       | 153.91 M       | 164.06 M       |
|   | <b>Returned to Feds</b>        | -              | -              | -              | -              |
|   | <b>Surplus / (Deficit)</b>     | 131.78 M       | 105.38 M       | 53.88 M        | (31.71 M)      |
| Source: The Lewin Group for the Governor's Children's Health Insurance Advisory Panel, Nov. 1998.<br>* Estimated carryover from FFY1998 arising from the one-year Medicaid expansion.<br>** Represents total costs (both state and federal shares). State Share = 27%, Federal Share = 73%. |                                |                |                |                |                |

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding federal funding for the CHIP program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration

**Local Agencies Affected:**

**Information Sources:** Final Report of the Governor's Children's Health Insurance Advisory Panel, November 1998.